

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6751**

**BILL NUMBER:** SB 233

**DATE PREPARED:** Feb 14, 2002

**BILL AMENDED:** Feb 14, 2002

**SUBJECT:** Liability for Employer Contributions to TRF.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill requires the State Teachers' Retirement Fund (TRF) Board to assign certain members to TRF's pre-1996 and 1996 Accounts. It requires the TRF Board to credit member and employer contributions for members assigned to the pre-1996 Account to the Pre-1996 Account. It requires the TRF Board to credit member and employer contributions for members assigned to the 1996 Account to the 1996 Account. It provides that an employer contribution rate for the 1996 account that exceeds 9% may not exceed the rate approved by the Budget Agency after review by the Budget Committee.

**Effective Date:** (Amended) July 1, 2002; Upon Passage.

**Explanation of State Expenditures:** (Revised) *Fiscal Impact:* This proposal codifies the procedure to transfer liabilities for members transferring between the Pre-1996 Account and the 1996 Account and will have no fiscal impact on the TRF. The actuaries for the TRF noted that this proposal, if it had been in effect for the June 30, 2000, valuation, would have no impact on the results. While in the aggregate, the TRF will not experience any increase in liabilities, the proposal will shift future expenditures from the 1996 Account (funded by local schools) to the Pre-1996 Account (funded by the State). The specific fiscal impact to the two plans will depend upon the number of teachers involved who transfer. However, any impacts associated with the provisions of this proposal were created with the passage of the 2001 Budget Bill.

The amendment of 2/14/02 maintains a 9% contribution rate for the 1996 Account until July 1, 2006, unless a higher rate is approved by the State Budget Agency after review by the State Budget Committee.

*Background Information:* This proposal creates a transfer of the liability for employer contributions for service credit earned from the Pre-1996 Account to the 1996 Account due to transfers and rehires. It concerns the treatment of the liability for employer contributions for service credit earned by a member of the TRF who, before July 1, 1995, participated in the Pre-1996 Account (Closed Plan) and who, between June 30, 1995, and July 1, 2001, transferred to the 1996 Account (New Plan). The liability for employer contributions as of the date of transfer and based on service credit earned to that date is transferred to the 1996 Account

and will remain in the 1996 Account even if the member, after June 30, 2001, is hired by another school corporation or institution covered by TRF or is hired by a prior employer. It also provides that: (1) a member of TRF who, before July 1, 1995, participated in the Pre-1996 Account and who, after June 30, 2001, was hired by another school corporation or institution covered by TRF, maintains membership in the Pre-1996 Account; and (2) the liability for the employer contributions of the member remains with the Pre-1996 Account.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Teachers' Retirement Fund.

**Local Agencies Affected:** School Corporations.

**Information Sources:** Brian Dunn of Gabriel Roeder Smith & Co., actuaries for the TRF, 1-800-521-0498.